

**CHESANING-BRADY FIRE
ADMINISTRATIVE BOARD**

FINANCIAL STATEMENTS

MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CHESANING-BRADY FIRE BOARD	County SAGINAW
Fiscal Year End MARCH 31, 2006	Opinion Date JULY 12, 2006	Date Audit Report Submitted to State	

We affirm that:

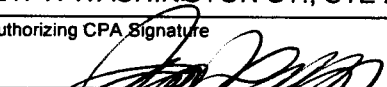
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☐ ☒ The audit opinion is UNQUALIFIED.
 - ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS & WENZLICK, P.C.		Telephone Number (989) 723-8227	
Street Address 217 N WASHINGTON ST., STE 201		City OWOSSO	State Zip MI 48867
Authorizing CPA Signature 	Printed Name JAMES DEMIS JR. CPA		License Number 1101008874



DEMIS and WENZLICK, P.C.

Certified Public Accountants

217 N. Washington Street
Pabst Building, Suite 201
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143
E-MAIL office@dw-cpa.com

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

Carol A. Demis
Jeanette Gaitskill
Greg Irish
Janis K. Mead
Tammy Pappas
David Pullen
Peggy Ryan
Joyce M. Simmons
Barbara Wenzlick
Gail Winnick, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Chesaning-Brady Fire Administrative Board
Saginaw County, Michigan

We have audited the general-purpose financial statements of the Chesaning-Brady Fire Administrative Board, as of and for the year ended March 31, 2006. These general-purpose financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Fire Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chesaning-Brady Fire Administrative Board, as of March 31, 2006, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Our report of comments and recommendations has been submitted under separate cover dated July 12, 2006.

Dennis and Wenzel, P.C.

Certified Public Accountants

Owosso, Michigan
July 12, 2006

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2006

	<u>GOVERNMENTAL FUND TYPES</u>		<u>LONG-TERM</u>
	<u>FIRE FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>DEBT</u>
ASSETS AND OTHER DEBITS			
ASSETS:			
Cash - Checking and Savings	\$354,716	\$ -0-	\$ -0-
Certificates of Deposit	51,062	-0-	-0-
Taxes Receivable - Townships	48,011	-0-	-0-
Fixed Assets	-0-	920,299	-0-
Amount to be Provided	<u>-0-</u>	<u>-0-</u>	<u>32,844</u>
TOTAL ASSETS	<u>\$453,789</u>	<u>\$920,299</u>	<u>\$ 32,844</u>
LIABILITIES AND OTHER CREDITS			
LIABILITIES:			
Accounts Payable	\$ 44,506	\$ -0-	\$ -0-
Current Maturities	<u>-0-</u>	<u>-0-</u>	<u>32,844</u>
TOTAL CURRENT LIABILITIES	\$ 44,506	\$ -0-	\$ 32,844
EQUITY:			
Investment in General Fixed Assets	\$ -0-	\$920,299	\$ -0-
Fund Balances:			
Unreserved	<u>409,283</u>	<u>-0-</u>	<u>-0-</u>
TOTAL EQUITY	<u>\$409,283</u>	<u>\$920,299</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND EQUITY	<u>\$453,789</u>	<u>\$920,299</u>	<u>\$ 32,844</u>

The accompanying notes are an integral part of the financial statements.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

REVENUES:

Contribution - Chesaning Township	\$158,705
Contribution - Chapin Township	4,085
Contribution - Brady Township	66,292
Interest Income	5,055
Grants	103,797
Donations	805
Sign Sales, Copies, Misc.	<u>2,291</u>
TOTAL REVENUES	\$341,030

EXPENDITURES:

Wages - Firefighters	\$ 28,779
Payroll Taxes	3,378
Vehicle, Equip. Maint. & Supplies	7,042
Insurance	20,009
Fuel	4,149
Salaries - Board and Chief	12,938
Building Maintenance	300
Telephone, Pagers	3,424
Utilities	5,388
Professional Fees	7,928
Training, Education and Dues	2,444
Clothing	755
Rent	1,500
Office Expenses	2,090
Prevention	3,598
Retirement/401K	6,729
Equipment Replacement	118,377
Vehicle Improvement	31,090
Building Replacement	58,349
Interest Expense	<u>3,608</u>
TOTAL EXPENDITURES	\$321,875

EXCESS OF REVENUES OVER EXPENDITURES	19,155
Fund Balances - Beginning of Year	<u>390,128</u>
FUND BALANCES - END OF YEAR	<u>\$409,283</u>

The notes to the financial statements are
an integral part of this statement.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
STATEMENT OF REVENUES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	ACTUAL (OVER) UNDER <u>BUDGET</u>
REVENUES:			
Contribution-Chesaning Twp.	\$153,378	\$158,705	\$ (5,327)
Contribution-Chapin Twp.	4,300	4,085	215
Contribution-Brady Twp.	63,046	66,292	(3,246)
Interest Income	-0-	5,055	(5,055)
Grants	3,500	103,797	(100,297)
Donations	-0-	805	(805)
Sign Sales, Copies, Misc.	<u>2,000</u>	<u>2,291</u>	<u>(291)</u>
TOTAL REVENUES	\$226,224	\$341,030	\$ (114,806)
EXPENDITURES:			
Wages-Firefighters	\$ 38,000	\$ 28,779	\$ 9,221
Payroll Taxes	3,100	3,378	(278)
Vehicle Equip. Maint. & Supplies	14,000	7,042	6,958
Insurance	20,000	20,009	(9)
Fuel	2,400	4,149	(1,749)
Salaries - Board & Chief	2,166	12,938	(10,772)
Building Maintenance	1,500	300	1,200
Utilities, Telephone, Pagers	8,000	8,812	(812)
Professional Fees	9,000	7,928	1,072
Training, Education & Dues	2,500	2,444	56
Clothing	4,500	755	3,745
Rent	1,500	1,500	-0-
Office Expenses	2,000	2,090	(90)
Retirement	3,500	6,729	(3,229)
Equipment Replacement	5,558	118,377	(112,819)
Vehicle Replacement	45,000	31,090	13,910
Building Replacement	55,000	58,349	(3,349)
Interest Expense	5,000	3,608	1,392
Fire Prevention	<u>3,500</u>	<u>3,598</u>	<u>(98)</u>
TOTAL EXPENDITURES	\$226,224	\$321,875	\$ (95,651)
EXCESS OF REVENUES			
OVER EXPENDITURES	\$ <u>-0-</u>	19,155	\$ <u>(19,155)</u>
Fund Balances - Beginning of Year		<u>390,128</u>	
FUND BALANCES - END OF YEAR		<u>\$409,283</u>	

The accompanying notes are an integral part of the financial statements.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The organization was formed March 1, 1996, by the following units of government:

Township of Chesaning
Village of Chesaning
Township of Brady

The organization was formed pursuant to authority granted under P.A. 7 of 1967, the stated purpose of which is to provide fire protection for the residents of the units of government.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

GOVERNMENTAL FUNDS

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL REVENUE FUNDS

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

ACCOUNT GROUPS

The general fixed assets account groups is used to account for fixed assets.

DEPOSITS AND INVESTMENTS

The organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

INVENTORIES AND PREPAID ITEMS

The costs of governmental fund-type inventories and certain payments to vendors are recorded as expenditures when purchased.

COMPENSATED ABSENCES

There are no compensated absences or any retirement benefits.

BUDGETS AND BUDGETARY ACCOUNTING

The organization follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the treasurer submits to the Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budgets are approved by each of the controlling units of government.
3. Prior to April 1, the budget is legally enacted through Board approval.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REPORTING ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Organization includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the organization. Control by or dependence on the organization was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the organization to finance any deficits that may occur or receipt of significant subsidies from the organization.

Based on the foregoing criteria, there are no organizations that need to be included in the organization's report.

FIXED ASSETS

Fixed assets used in governmental fund types of the organization are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated cost by the units of government. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

OPERATING LEASE

The organization leases a building from the Village of Oakley. This building houses fire equipment. The lease for one year is renewable, and has been classified as an operating lease.

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the organizations actual expenses and budgeted expenses of the budgetary funds reflect where the actual expenses exceed budgeted amounts. the over expenditure was funded by revenues in excess of budgeted amounts and available fund balance.

NOTE C- CASH

The Organizations deposits consist of interest bearing savings and checking accounts and certificates of deposit. At year end, the bank balance was essentially the same as the carrying value.

The Organization's deposits consisted of cash at two financial institutions.

MARCH 31, 2006

<u>INSTITUTION A</u>	<u>AMOUNT</u>	FDIC <u>INSURED</u>	<u>UNINSURED</u>
Cash - Checking	\$ 3,430	\$ 3,430	\$ -0-
Cash - Savings	294,005	100,000	194,005
Certificate of Deposit	<u>51,062</u>	<u>-0-</u>	<u>51,062</u>
	<u>\$348,497</u>	<u>\$103,430</u>	<u>\$245,067</u>
 <u>INSTITUTION B</u>			
Cash - Savings	\$ 57,281	\$ 57,281	\$ -0-

CHESANING-BRADY FIRE ADMINISTRATIVE BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2006

NOTE D - FIXED ASSETS

The policy of the organization is to reflect the total vehicles and attachments thereon, in the financial statements. The assets not included in this report include tools, pagers, radios, air equipment, furnishings and computer equipment. The total cost of these items exceed \$250,000.

Additionally, the organization has the use of certain vehicles owned by the State of Michigan - DNR. The organization pays all associated costs for these vehicles, which have an estimated cost of \$8,200.

Estimated Original Cost of Fixed Assets as of March 31, 2005	\$861,950
Architectural & Survey Costs for New Building During the Fiscal Year	58,349
Removals During the Fiscal Year	<u>-0-</u>
FIXED ASSETS AT MARCH 31, 2006	<u>\$920,299</u>

The land and building in Chesaning, Michigan is owned by the Village of Chesaning. The organization has use of the building, at no cost, other than payment of expenses associated with the building.

NOTE E - PENSION PLAN

The organization has elected to allow its employees to participate in a pension plan. This pension plan is recognized under IRS Code Section 457. This pension is in conjunction with an existing plan that was established by Chesaning Township. It allows for up to 5% of pay of employees to be withheld. All pension withholding is matched by the board. This plan was effective April 1, 2000.

NOTE F - SUBSEQUENT EVENTS

A Building Authority has been established to construct and finance a new building. There has been no activity within the Authority. The organization has paid in excess of \$100,000 towards the building construction during the year and will be donating land. The Authority has applied for government loans in excess of \$1,000,00 for construction.



DEMIS and WENZLICK, P.C.

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James Demis, Jr., C.P.A.
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Chesaning-Brady Fire Administrative Board
Saginaw County, Michigan

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as result of the examination our firm performed on the financial statements of the Chesaning-Brady Fire Administrative Board for the year ended March 31, 2006

As a result of our examination of the Board's financial statements, we make the following comments:

BUDGET

P.A. 621 of 1978, includes a budgeted compliance requirements in budgeting. It is required under this act that actual expenditures do not exceed budgeted expenditures. Any amendments to the budget must be made before March 31.

GENERAL LEDGER

The general ledger is an important accounting tool, an important internal control and a state mandated record. The Fire Board did maintain a general ledger during the year ended March 31, 2006, however, it was not balanced monthly.

BANK RECONCILIATION

We could not locate bank reconciliations. Monthly reconciliation of all cash accounts is required by the State of Michigan.

CASH REGISTER

A check register is vital for internal control purposes. The Fire Board did maintain a cash deposit record for the year, but did not post expenditures nor keep a record of the cumulative balance. This balanced register will greatly strengthen internal controls and will allow the cash balance to be agreed monthly with the reconciliation.

We would like to thank the board for the excellent cooperation we received in performing the board audit. If we can be of any further assistance to the board in implementing these recommendations or any other board business please contact us.

Dennis and Werglich, P.C.

Certified Public Accountants

Owosso, Michigan
July 12, 2006